

Quarterly Snapshot

- ↑ Average Rent
\$23.28/SF
- ↑ Vacancy
13.2%
- ↓ Net Absorption
-3,229,355 SF

Occupier's Perspective

As tenants are able to find the right deal and space in A Class buildings, there is a trailing cumulative vacancy forming in C and B Class buildings. As these buildings struggle to increase occupancy, they may seek options such as redevelopment.

Things are going to get worse for landlords before they get better, and this is the right time to seek creative deals. Incentives that would have been impossible five years ago are becoming the norm.

More companies, particularly US-based companies, are asking employees to come into the office more regularly. As companies enter a period where their hybrid policies are taking shape and they have started to get a sense of what is working for their business, they are creating appealing office environments that foster attendance.

In the second quarter of 2024, the Greater Toronto Area (GTA) office vacancy rate reached an all-time high of 13.2 percent, up 1.1 percent from the previous quarter. The amount of space available is further reflected by the availability rate which also rose from 14.8 percent to 16.1 percent, setting another record.

The average net rent remains relatively stable; landlords are still guarded about lowering the face rates but are instead open to other concessions. This is leading to prolonged negotiations and further slowing down deals.

Looking ahead, vacancy rates are expected to continue rising for the remainder of the year. Given the current market, we anticipate new supply flattening over the next few quarters. Despite indications of weakening demand, there remains a need for office space, particularly among companies adopting hybrid-work models. Over the past four years, firms have experimented with hybrid arrangements and are now solidifying their approaches. The trend of hybrid work persists, with many companies requiring employees to be in the office at least three days a week, and some mandating daily attendance. Office space is far from obsolete; it's evolving as companies rightsize and acquire attractive office spaces to encourage employee attendance.

Recent Transactions

Tenant	Size (SF)	Submarket	Type	Building
Confidential	14,006 SF	Toronto North	New Lease	Office
Confidential	11,975 SF	Toronto East	Renewal	Office
Confidential	9,201 SF	Downtown Toronto	New Lease	Office

Submarket Movement

Vacancy Rate	QOQ Change	Direct Asking Rent (\$/SF)	Submarket
7.9%	▲	\$13.83	Durham
13.1%	▲	\$14.72	Toronto East
14.1%	▲	\$17.33	Toronto West
12.1%	▲	\$19.05	Toronto North
12.5%	▲	\$26.34	Midtown
13.1%	▲	\$32.81	Downtown